

SECURITY INFORMATION

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## TAB A

## TRADE OF COMMUNIST CHINA IN 1951

Communist China's Trade with Non-Communist Countries

1. Chinese Communist trade with non-Communist countries during January-June 1951 can be roughly estimated at imports of \$360 million and exports of \$120 million,<sup>1/</sup> and may be compared with the 1950 trade estimates, as follows:

COMMUNIST CHINA'S TRADE WITH NON-COMMUNIST COUNTRIES  
(in millions of US dollars)

	Imports	Exports	Trade Balance
Jan.-June 1950	\$112	\$170	/ \$58
July-Dec. 1950	302	230	- 72
Jan.-June 1951	360	120	- 240

2. While China has normally been able to finance an import balance through the receipt of overseas Chinese remittances, and this capability has been temporarily enhanced through official purchases or seizures of private hoards of precious metals and foreign currency, it is probable

<sup>1/</sup> Non-Communist countries during Jan.-June 1951 exported \$325,000,000 to and imported \$135,000,000 from Communist China, which figures adjusted for transport costs, etc., provide the above estimate for Chinese imports, c.i.f., and exports, f.o.b.

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that the financing of the import balance in the first half of 1951 has sharply reduced the exchange balances available to the Chinese Communists. The Chinese Communists have admitted officially that exchange balances were drawn down in 1951 ostensibly as a hedge against inflation in the west, while Hong Kong merchants have expressed the belief that foreign exchange shortages were responsible in part for a decline in the activities of Chinese Communist purchasing agencies in Hong Kong during the last half of 1951.

Hong Kong's Position in Communist China's Trade

3. Approximately two-thirds of the trade of non-Communist countries with China was conducted through Hong Kong. Hong Kong's recorded exports to Communist China declined sharply in the third quarter, particularly in the categories of crude rubber, metals and metal products.

4. The total value of Hong Kong's trade increased from 1949 up to the first quarter of 1951, but declined in the second and third quarters of 1951 to the lowest dollar value since the beginning of the Korea war. If adjustments for price increases in terms of US dollars were made, it is probable that trade volume in the third quarter of 1951 would be smaller than the average quarterly trade in 1949. Ocean shipping tonnage and cargo tonnage in Hong Kong's foreign trade in the third quarter of 1951 were the smallest of any period since 1949.

5. Recorded imports of Hong Kong are believed to reflect accurately actual imports, since there has been little incentive to evade customs reporting of imports in this free port (at least until June 1951 when

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certain controls over imports were instituted to implement export controls). On the other hand, recorded export figures are probably less reliable as there is undoubtedly a considerable but unknown amount of export smuggling to China.

Communist China's Overall Foreign Trade

6. On 1 October 1951, the Chinese Communists published data in percentage form on their foreign trade "to date" (taken to mean seven months' customs data), showing the proportion of trade with the Soviet bloc and with non-Communist countries and the relation of 1950 exports to 1951 exports. In contrast to the publicity on the 1950 foreign trade, in which the export balance was emphasized as an indication of Communist China's economic strength and independence, there was no comparison of 1951 exports and imports nor of 1951 imports and 1950 imports. This marked silence suggests that there has been a large increase in imports and a resulting significant import balance. On the basis of this Chinese Communist data, the trade of Communist China is estimated as follows:

(in millions of US dollars)

Period	<u>Soviet bloc</u>		<u>Non-Communist Countries</u>		<u>Total trade</u>	
	<u>Imports<sup>1/</sup></u>	<u>Exports<sup>2/</sup></u>	<u>Imports<sup>1/</sup></u>	<u>Exports<sup>2/</sup></u>	<u>Imports<sup>1/</sup></u>	<u>Exports<sup>2/</sup></u>
1950, Jan/June	17	52	112	170	129	222
1950, July/Dec	94	123	302	230	396	353
1951, Jan/July	980-1,050	565	420-450	160	1,400-1,500	725

1/ 1951 imports estimated on the basis of estimated imports from non-Communist countries of \$420-450 million (including smuggling).

2/ 1951 exports estimated on the basis of stated relationship with 1950 exports

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7. Intelligence reports from Communist China indicate that the prices used in the barter trade agreements between China and other Communist countries are generally inflated over world prices. With the bulk of 1951 trade coming under such barter trade agreements, it is probable that import and export values have been exaggerated to some extent.

8. Nevertheless, these figures indicate a tremendous growth in imports, a continued expansion of exports, and the existence of a very large import balance. Imports of US \$1 billions from the Soviet bloc during January-July 1951 were probably composed almost entirely of military material. Although there is evidence of some Soviet products such as petroleum, appearing in civilian markets these would amount to only a small fraction of the indicated import values. An expansion of exports over 1950 levels is not unreasonable following the considerable improvement of the normal 1950 farm production over the disastrous 1949 harvests, but it is unlikely that total 1951 exports would exceed US \$1 billion, an increase of three-quarters over 1950. The January-July 1951 export values, then, may be over-valued or may reflect abnormal shipments in the first half of the year which cannot be maintained in the second half of the year.

9. The import balance with both the Soviet bloc and the non-Communist countries is considerably in excess of any reasonable estimate of China's available exchange resources and suggests that China has received substantial Soviet assistance in financing this import balance. While the exhaustion of China's exchange resources would not necessarily limit China's ability to import from non-Communist countries, it does increase China's dependence upon the Soviet Union for financial assistance to maintain imports from both the Soviet bloc and non-Communist countries, and would therefore increase Soviet influence over the direction of China's foreign trade.

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